THE

Market Administrator's

BULLETIN

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Sales of Fortified Fluid Milk Products Increasing

Whatever you call it—"fortified" skim milk, "modified" skim milk, or skim milk "with added milk solids-not-fat"—this relatively new dairy item is being consumed in rapidly increasing quantities.

Commercially important only within the last five or six years, this product is skim milk to which nonfat dry milk or condensed skim milk has been added. It has more body and, with the added ingredients. has a higher food value than ordinary skim milk.

Fortified skim milk is not necessarily fully skimmed milk, but often contains as much as 2 percent milkfat. It sometimes also contains added vitamins. Trade names under which it reaches consumers, however, suggest its relatively nonfattening, health benefiting qualities.

Fortified milk is only one of a long line of fortified fluid milk products now on the market. There's fortified "cereal cream," buttermilk, sour cream, whole milk, flavored milk, flavored skim milk, light and heavy cream, and yogurt.

According to a survey made in January 1959 by the Dairy Division of AMS, each of these fortified fluid milk products was sold in one or more of the markets under Federal milk orders.

Skim milk was by far the most popular of the fortified products. It was offered for sale in 64 of the 76 markets surveyed. Fortified "cereal cream," a mixture of milk and cream, rated next in popularity with sales in 44 markets.

Some fortified buttermilk and fortified sour cream was being sold in more than a third of the markets. Also, 4 to 11 markets were offering fortified whole milk, flavored milk, flavored skim milk, light and heavy cream and yogurt.

Fluid products with added nonfat milk solids are being sold to a larger extent in the Middle West than anywhere else in the country. While no one market fortified all of its fluid milk products, in Chicago eight different items were fortified. In three markets — Cincinnati, Milwaukee, and Southeastern Florida—seven different fortified products were available.

Most of the fluid milk products were fortified by about 2 percent of their weight. Buttermilk was fortified the least (an average of 1.5 percent) and yogurt the most (2.3 percent).

Among individual distributors, however, the extent of fortification ranged from less than ½ of 1 percent to more than 5 percent.

Data on quantities of fortified milk products sold are available only for skim milk. In 1959, sales of fortified skim milk in 61 markets amounted to 465 million pounds. This represented 2.9 percent of all milk beverages sold in these markets.

In some individual markets, however, fortified skim milk sales represented a much higher percentage of total fluid milk

(Continued on the Back page)

PRICE OF MILK FOR CHEESE EXCEEDS THAT FOR BUTTER, BUTTER PRODUCTION INCREASED RELATIVE TO CHEESE

Changes in utilization of milk normally are small from one year to the next. In recent history, abrupt changes in utilization patterns have been limited to periods of imposition or release of price or supply controls. Though the year-to-year changes normally are comparatively small, a number have been persistent, so that the pattern of milk utilization has changed considerably during the past decade. One of the more pronounced changes has been the decline in use of milk for evaporated purposes. Use in this outlet dropped from 8.3 percent of total farmers' sales in 1945 to 6.3 percent in 1950 and 4.0 percent in 1959. Slight declines have occurred also in the proportion of milk used in making butter, American cheese and dry whole milk. Use in frozen dairy products has increased slightly, as has cheese other than American, and as mentioned earlier, products used for fluid purposes.

An interesting development in the utilization pattern of milk as between butter and American cheese has occurred within the last 2 or 3 months, in view of the price relationships that prevailed. Over the last 15 years, the utilization of total milk as between butter and American cheese has been remarkably stable—about

(Continued on the back page)

Columbus Market Facts

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY	May 1960	April 1960	May 1959
Producers' Uniform Price (3.5%)	$3.44	$3.63	$3.58
Producers' Uniform Price (4%)	3.79	3.985	3.94
Class I (3.5%)	4.132	4.195	4.289
Class II (3.5%)	3.732	3.795	3.839
Class III (3.5%)	3.508	3.532	3.507
Class IV (3.5%)	2.888	2.904	2.887
Producer Butterfat Differential for each 1/10%	.070	.071	.072

UTILIZATION SUMMARY	May 1960	April 1960	May 1959
Percent of Producer Milk in Class I	67.4	78.1	69.6
" " " B.F. " " I	64.9	73.2	68.2
" " " Milk " " II	7.1	8.0	7.4
" " " B.F. " " II	2.3	2.5	2.4
" " " Milk " " III	2.7	3.2	3.0
" " " B.F. " " III	3.3	4.8	4.7
" " " Milk " " IV	22.8	10.7	20.0
" " " B.F. " " IV	29.5	19.5	24.7

PRODUCTION SUMMARY	May 1960	April 1960	May 1959
Total Pounds of Producer Milk Delivered	33,354,543	28,853,090	32,669,711
Average Daily Class I Producer Milk	724,918	723,734	733,114
Total Number of Producers	1,673	1,690	1,767
Average Daily Production per Producer	643	569	596
Average Butterfat Test	3.75	3.83	3.68
Total Value of Producer Milk at Test	$1,324,408.71	$1,217,958.20	$1,329,775.39
Income per Producer (7 Day Average)	$178.76	$168.16	$169.93

GROSS CLASS USE (Pounds)	May 1960	April 1960	May 1959
Class I Skim	21,660,097	21,712,006	21,907,159
" I B.F.	812,353	808,832	819,374
" I Milk	22,472,450	22,520,838	22,726,533
" II Skim	2,337,512	2,386,721	2,376,484
" II B.F.	28,313	27,320	29,050
" II Milk	2,365,825	2,414,041	2,405,534

AVERAGE DAILY SALES (Quarts)	May 1960	April 1960	May 1959
Milk	284,980	307,761	293,355
Buttermilk	5,359	5,336	6,324
Chocolate	16,125	16,763	16,813
Skim	11,655	12,682	12,265
Cream	8,572	8,942	8,379

COMPARATIVE STATISTICS ★ COLUMBUS MARKETING AREA ★ MAY 1951-'60

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1951......	23,712,948	3.95	72.2	24.6	3.2	——	4.23	4.438	4.037	3.612	——	2,107	366
1952......	23,897,782	3.90	60.6	30.9	3.4	——	4.30	4.860	4.460	3.714	——	2,108	363
1953......	26,860,120	3.86	59.5	24.7	15.8	——	3.91	4.516	4.116	3.441	——	2,226	389
1954......	28,123,912	3.83	59.2	6.4	14.4	20.0	3.25	3.99	3.59	3.23	3.05	2,175	417
1955......	29,742,565	3.71	59.5	6.7	15.2	18.6	3.45	4.204	3.804	3.304	3.129	2,084	460
1956......	30,035,601	3.77	63.1	8.4	13.6	14.9	3.87	4.757	3.897	3.397	3.220	2,056	471
1957......	30,240,247	3.70	67.6	7.2	14.4	10.8	3.88	4.568	4.168	3.488	3.066	1,908	511
1958......	30,140,831	3.69	66.3	7.6	9.5	16.6	3.56	4.274	3.874	3.274	2.851	1,822	534
1959......	32,669,711	3.68	69.6	7.4	3.0	20.0	3.58	4.289	3.839	3.507	2.887	1,767	596
1960......	33,354,543	3.75	67.4	7.1	2.7	22.8	3.44	4.132	3.732	3.508	2.888	1,673	643

Support Prices for Dairy Products Unchanged for Third Year

For more than a decade, price support for dairy products has been conducted under the authority of the Agricultural Act of 1949 as amended. This Act specifies that prices for milk and butterfat shall be supported by the Secretary of Agriculture at such level between 75 and 90 percent of parity as will assure an adequate supply. In the early years of operation under this Act, support was at the lower end of this range; it was increased to a level at or near the maximum following the outbreak of the Korean War; and since April 1, 1954, it has been near the lower end of the range. As of April, 1958, the support for manufacturing milk was established at $3.06 per hundredweight and for milkfat at 56.6 cents per pound. At that time both these prices were equivalent to 75 percent of parity. The same dollars and cents support levels have continued in effect since that time, and, as announced in early January, they will prevail through March 31, 1961. These prices were equivalent to about 76 percent of parity at the beginning of the current marketing year, compared with 77 percent in the year just ended. With the downward adjustment in per capita production of milk, the volumes of dairy products purchased under the dairy Price Support program for the1958-59 marketing year were only about a fourth of those in 1953-54 (in terms of milk equivalent, fat solids basis.)

In the early part of the 1959-60 marketing year, offerings to the CCC under the Price Support program ran significantly under those of a year earlier on a milk equivalent basis. The volume of butter was smaller, but the volume of cheese was greater. Domestic markets were so near in balance by late summer of 1959 that offerings of butter to CCC terminated as of early September and were not resumed until early January. Offerings of cheese, however, continued under the program through the first week of December, 1959. In the first quarter of 1960, the closing quarter of the marketing year, sales of butter to CCC under the program exceeded those of a year earlier, while practically no cheese was sold, compared with 7 million pounds a year earlier. For the marketing year as a whole, sales of butter to CCC totaled 135.2 million pounds, compared with 150.2 million pounds a year earlier. Cheese sales, on the other hand, increased from 34.7 million pounds in 1958-59 to 50.3 million in 1959-60. The 1957-58 purchases consisted of 215 million pounds of butter and 248 million pounds of cheese. The amount of fat bought in these two items was about the same the last two marketing years.

Activity in the sales of nonfat dry milk to the CCC cannot be compared as readily from "contract to purchase" date as is the case for butter and cheese. For example, in the 1958-59 marketing year there was some heavy buying in small packages for future delivery, whereas in the marketing year just closed, such purchases were more nearly on a current basis. For this reason, it is helpful to make comparisons for nonfat dry milk on the basis of delivery data. The total quantity contracted for purchase in the 1959-60 marketing year was 748 million pounds, compared with a record 941 million a year earlier. In terms of deliveries, however, the volumes were more nearly the same, totaling 803.7 million pounds in 1959-60, compared with 825.8 million in 1958-59. The record quantity delivered to CCC was 907 million pounds in 1957-58.

Purchases of milkfat in butter and cheese by CCC in the 1959-60 marketing year represented 2.8 percent of the total production of milkfat on farms. This compares with 3 percent in the preceding marketing year and 5.5 in 1957-58, which was the highest of record except for the 9.7 percent acquired in the 1953-54 marketing year. The trend in surplus position for milk solids-not-fat has been the reverse of that for milkfat. As a percentage of production, purchase of this component of milk reached a peak in 1957-58, 8.4 percent, and in 1959-60 was 7.1 percent. Since 1954, CCC purchases of butter, cheese, and dry milk have represented only part of the surplus removal operation for milk products. Under legislation passed in 1954 and amended subsequently, the CCC has been authorized to make payments to increase use of milk by personnel of the Armed Forces, Coast Guard, Merchant Marine Academy, and by veterans in Veterans Administration hospitals, as well as by school children. In 1959 the CCC made payments covering part of the cost on the equivalent of nearly 2 billion pounds of milk used in these outlets. Thus the butter and cheese purchased was equivalent to about 60 percent of the milk equivalent of the entire surplus removal volume.

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PRICE OF MILK . . .

(continued from page one)

three-quarters of the combined quantity for the two products used in butter and one-quarter in American cheese. In most of this period, the prices paid by plants making nonfat dry milk have exceeded slightly the prices paid by American cheese plants for milk testing equally as to butterfat content. Market prices of both butter and cheddar cheese increased in the last half of 1959. In early 1960 the price of butter declined to the CCC buying price level, but the price of cheese continued well above the support purchase price until early April. Beginning in January 1960 the price paid by plants for cheese was higher than that paid by butter-nonfat dry milk plants, by about 3 cents per hundredweight; a year earlier the cheese plants paid 3 or 4 cents less than butter-nonfat dry milk plants. Nevertheless, production of butter ran consistently higher than a year earlier, while the output of cheese on a daily basis was smaller in January and March and only slightly greater during February.

This rather unusual development apparently was not due to geographical differences. A parallel development occurred in Wisconsin. In that State the premium of milk for cheese-making over the butter-nonfat dry milk outlet was greater than for the United States as a whole. During February, for example, the cheese-making plants in Wisconsin paid 14 cents more per hundredweight for milk than did the butter plants, compared with a 2 cent differential a year earlier. This increase is less, relatively, than the rise in wholesale values of the cheese made from such milk. Throughout the first quarter of 1960 the reported price of American cheese at Wisconsin assembling points was higher than a year earlier by about 3 cents per pound, nearly 10 percent, which is equivalent to nearly 30 cents per hundredweight of milk. In February the price paid by cheese plants for milk was up by 15 cents per hundredweight, while the price paid by butter plants was up 6 cents per hundredweight. In early April, the wholesale price of American cheese declined more than 2 cents per pound, and a decline in prices paid by plants for raw milk probably followed.

Market Quotations

May 1960

12 MIDWEST CONDENSERIES 3.5% per Cwt.	2.998
5 CONDENSERIES (Cincinnati) 3.5% per Cwt.	2.8200
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	2.800
Evaporated Milk Code Price, 3.5% per Cwt.	2.759
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati)	3.0286
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.008
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton)	3.032
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo-Tri-State) and North Central Ohio)	2.906
Average Weekly Cheddars price per lb.	.32000
Average price per lb. non-fat dry milk solids, roller process delivered Chicago	.13675
Average price per lb. 92-score butter at Chicago	.57944
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant	.1280

Sales of Fortified Fluid Milk

(Continued from Page One)

sales. For example, in two Iowa markets (the Quad Cities and Cedar Rapids) fortified skim milk accounted for 10 percent or more of all milk beverage sales. In six other Midwest markets, the southernmost of which is Cincinnati, sales were more than 5 percent of total milk beverages. At the other extreme, in seven markets located in Virginia, Tennessee, and Arkansas, no fortified skim milk was sold.

Although fortified skim milk still comprises a relatively small proportion of all milk beverages sold in Federal order markets, the percentage is steadily increasing. During 1959 in these same 61 markets, handlers' sales of fortified skim milk showed an increase of 23 percent over 1958.